

## State Withholding Tax Tables Revamped

The Montana Department of Revenue issued revised 2005 state withholding tax tables today. The revised withholding tax tables replace the tables mailed to Montana employers in November.

Director of Revenue Dan Bucks said the newly issued withholding tables were rewritten to prevent an estimated 30,000 Montana wage earners -- mostly lower income wage earners, students and part-time workers -- from writing a check to the Department of Revenue in 2006 instead of receiving a refund.

More than 80% of Montana wage earners receive a state tax refund each year.

"A large majority of taxpayers expect refunds and count on those refunds to pay their bills. When many families expect a tax refund to pay winter heating bills or holiday expenses, or students expect to use the refund for college costs, they do not need to be surprised by an unexpected tax bill during the tax filing season," Bucks stated.

"If these working Montanans have to write a check on April 15, they may experience financial hardship," said Bucks. "Montana's tax system is a cooperative effort among our government and our citizens. We certainly want to avoid needlessly penalizing hard-working Montanans."

The tables issued by the department in November would have significantly reduced the percentage of taxpayers receiving refunds at two specific levels of annual income: \$6,000-8,000 and \$20,000-30,000. The number of taxpayers receiving refunds at the \$6,000-8,000 income level -- mostly college students and part-time workers -- would have decreased dramatically, from about 95% to 30%. The number of taxpayers receiving refunds at the \$20,000-30,000 income level also would have decreased, from about 90% to 80%.

The department is asking Montana employers to begin using the revised withholding tax tables by February 1 or sooner, if possible. The tables are available now to download from the department's website at [www.mt.gov/revenue](http://www.mt.gov/revenue) (click on Forms & Resources / Downloadable Forms / Withholding Forms). Printed copies will be mailed to employers in about two weeks.

Last November the Department of Revenue mailed new withholding tax tables to nearly 35,000 Montana employers. The first substantial change to state withholding tax tables since 1994, the tax tables were updated to support the individual income tax reductions enacted in Senate Bill 407 (2003 Legislative Session).

Bucks emphasized that the withholding tax tables issued today implement the income tax reductions enacted in 2003, but fine-tune the withholding tax rates to better replicate Montana's past patterns of tax refunds.

"In simplest terms, we want to ensure that taxpayers who typically received state income tax refunds in the past continue to receive refunds," said Bucks.

Bucks, who assumed leadership of the Department of Revenue on January 3, was made aware of the possible problem in late December. At that time, he requested the department begin to thoroughly analyze the taxpayer impacts of the withholding tables that had been released in November.

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